
**THE TAX BENEFIT, DISTRIBUTION
AND ASSET COMPOSITION
OF CAPITAL GAINS IN WISCONSIN**

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THE TAX BENEFIT, DISTRIBUTION AND ASSET COMPOSITION OF CAPITAL GAINS IN WISCONSIN

I. INTRODUCTION

There is talk in Congress about restoring the capital gains exclusion, and there is renewed interest in not only how much that will cost, but also who holds those gains, and for how long? What is the source of the gains? Is it stocks? Real property?

This report summarizes data regarding capital gains realized by Wisconsin taxpayers in tax year 1999. It provides information on the amounts of capital gains (and losses), and the tax benefits from Wisconsin's tax treatment of capital gains. In addition, it also provides information on the distribution of gains and losses by type of assets and the holding periods of various assets. Finally, it will also provide some historical data on capital gains.

II. DATA SOURCE

The source of capital gains data is the Wisconsin Department of Revenue's individual income tax model, consisting of data captured from a stratified sample of individual income tax returns. The sample is conducted every other year, for an odd-numbered tax year, and we have had a sample since 1979.

Sample stratification was based on:

- Wisconsin Adjusted Gross Income (WAGI): in general, the probability of being selected for the sample increased as WAGI increased.
- Type of activity: a Schedule C or Schedule F filer had a higher probability of being sampled than a non-C or non-F filer.
- Type of deduction: returns with itemized deductions were sampled at a higher rate than standardizers.
- Homestead and Farmland Preservation Credit claimants: the presence of these claims also increased the probability of being selected for the sample.
- Other factors that increased the chance of being sampled included having a minimum tax liability, and being a pro-rater (a part-year or non-resident filer).

The 1999 information was derived from a stratified sample of 23,600 individual income tax returns and Homestead claims filed for the 1999 tax year, weighted to represent the 2.54 million taxfiling population. The stratification scheme resulted in a total of approximately 260 strata. Data were captured from a total of 1,300 fields from 23 separate federal and state schedules. The sampling unit is the taxfiling unit rather than the individual taxpayer – i.e., a married couple filing jointly is counted as one taxfiler rather than 2 taxpayers.

The sampling process that has been used for all our income tax samples is unique in that sampling is done "on the fly" – as the returns come in and are being processed -- rather than after completion of tax processing. This enables information to be available as early as December of the year in which the return is filed.

III. TAX TREATMENT OF CAPITAL GAINS

A capital gain or loss is the difference between the sale price of an asset and its basis. In the simplest case, the basis is the purchase price of the asset, including any brokerage fee. If the asset purchased is a physical asset, and the owner made improvements on it, then the basis of the asset is the purchase price plus cost of improvements.

1. Federal Tax Treatment

Under present federal law, capital gains net of capital losses are fully included in taxable income. Net capital losses are deductible up to a maximum of \$3,000 (\$1,500 for a married taxpayer filing separately). Net losses in excess of \$3,000 have to be carried over to following tax years. While the top individual income tax rate is 39.6%, the maximum tax rate on capital gains is 20% (10% for individuals in the 15% tax bracket. A special lower rate of 18% (8% for individuals in the 15% bracket) applies to transactions after December 31, 2000, if the asset is held more than 5 years.

From 1922 to 1986, long-term capital gains were taxed at lower rates than other income generally by allowing a portion of long-term capital gains to be excluded from taxable income. For example, from 1934-41, exclusion ratios varied with the holding period, while from 1942-81, the exclusion rate was 50% and this was raised to 60% for 1982 - 86. The Tax Reform Act of 1986 repealed the exclusion.

What qualifies as "long-term" has also varied over the years: from 1942-76 and 1984-86, an asset had to be held more than six months to be considered long-term, but from 1978-83, the holding period had to be more than a year. Although the benefits of the 60% exclusion are no longer in effect, the differentiation between long-term and short-term capital gains and losses is still necessary for income tax purposes. For a capital gain (or loss) to be considered long-term, the asset has to be held for more than one year.

Even though the 60% capital gains exclusion has been repealed, the special treatment of capital gains from the sale of a residence remains. In particular, an individual may exclude from income up to \$250,000 of gain (\$500,000 on a joint return in most situations) realized on the sale or exchange of a residence. The residence must have been owned as a principal residence for at least 2 of the 5 years before the sale or exchange. The exclusion may be claimed no more than once every 2 years. This exclusion replaced the rollover-of-gain provisions and the one-time \$125,000 exclusion for taxpayers age 55 or older.

2. Wisconsin

Wisconsin's tax treatment of capital gains and losses has been different from that of the federal government since 1987. While the 60% exclusion has been repealed for federal purposes, Wisconsin has retained its exclusion for 60% of net capital gains on assets held for over a year. However, the amount of net capital losses that can be used to offset ordinary income in determining taxable income is limited to \$500 instead of the \$3,000 allowed for federal tax purposes. Disallowed amounts of loss can be carried over and used in subsequent years.

Prior to 1982, Wisconsin taxed all capital gains as ordinary income. Beginning in 1982, Wisconsin began phasing in the 60% exclusion by allowing a 20% exclusion in the first year, 40% in 1983 and 60% in 1984. Wisconsin's tax treatment of gains from sale of personal residences follows the federal law.

IV. DISTRIBUTION OF TAXABLE GAINS BY INCOME CLASS

Of the 2.54 million taxfilers in 1999, 656,000 (or 26%) had taxable capital gains. This ratio varies by income class: 18% of filers with \$30,000 or less income had taxable gains, while the corresponding percentage in the over \$300,000 income class was 88%.

TABLE 1
DISTRIBUTION OF TAXABLE CAPITAL GAINS, 1999
All Taxfilers

WAGI CLASS (\$)	ALL TAXFILERS		TAXFILERS WITH TAXABLE CAPITAL GAINS			AMOUNT OF TAXABLE CAPITAL GAINS			TAXES PAID ON CAPITAL GAINS	
	Count of Filers	%	Count	% of total filers with gains	% of all filers	Amount (\$ m)	%	Aver. Taxable Gain(\$)	Amount (\$ m)	%
30,000 and less	1,392,040	54.9%	253,812	38.7%	18.2%	362.02	11.7%	1,426	16.86	8.5%
>30,000 - 50,000	486,254	19.2%	123,822	18.9%	25.5%	301.53	9.7%	2,435	21.75	10.9%
>50,000 - 100,000	528,175	20.8%	191,993	29.3%	36.4%	623.97	20.1%	3,250	42.45	21.1%
>100,000 - 300,000	114,925	4.5%	74,097	11.3%	64.5%	695.86	22.4%	9,391	45.78	22.9%
>300,000	14,167	0.6%	12,466	1.9%	88.0%	1,119.00	36.1%	89,764	72.65	36.4%
TOTAL	2,535,561	100.0%	656,191	100.0%	25.9%	3,102.38	100.0%	4,728	199.49	100.0%

Taxfilers with incomes below \$50,000 accounted for 72% of the taxfiling population. This income class accounted for 57% of the taxable capital gains population and was responsible for 21% of total taxable gains and 19.4% of the taxes paid on capital gains.

In contrast, the over \$300,000 income class accounted for less than 1% of taxfilers and 2% of filers with taxable gains, but they were responsible for 36% of the amount of taxable gains and 36% of capital gains taxes.

V. TAXABLE CAPITAL GAINS AS A COMPONENT OF TOTAL WISCONSIN INCOME

In tax year 1999, a total of \$100.4 billion was reported as Wisconsin gross income (before adjustments for items such as deductions for IRAs and Keogh plans, deductions for self-employed health insurance premiums and Medical Savings Account, and alimony payments). Taxable capital gains accounted for \$3.1 billion, or 3.1%. The largest component of income was wages and salaries, accounting for 77.3%.

As seen in Table 2, the contribution of taxable capital gains has slowly increased over the last 10 years, accounting for less than 2% of Wisconsin gross income in 1989-1995, but increasing to nearly 3% in 1997.

TABLE 2: COMPONENTS OF INCOME, WISCONSIN, TAX YEARS 1989-99

COMPONENTS OF INCOME	1989	1991	1993	1995	1997	1999
(Amounts in \$ million)						
Wages & Salaries	44,229.4	49,137.3	55,136.1	61,466.7	69,210.9	77,612.7
Taxable Interest	3,487.7	3,662.8	2,507.5	2,954.3	3,037.2	3,006.2
Dividends	1,358.3	1,392.4	1,494.8	1,683.2	2,085.5	1,917.4
Business Inc./Loss	1,721.7	1,991.3	2,274.7	2,382.5	2,546.0	2,781.8
Farm Income/Loss	332.5	55.3	(37.8)	(52.3)	(85.9)	62.2
Rents, Partnership Income	1,611.5	1,935.5	2,747.2	3,545.1	3,875.2	4,617.7
Taxable Capital Gains	924.8	793.1	1,229.6	1,294.5	2,550.5	3,102.4
Retirement Income						
Taxable IRA distributions	-	353.0	464.7	711.7	1,054.9	1,734.1
Taxable pensions	1,926.6	2,085.4	2,381.5	2,787.4	3,688.6	4,172.8
Taxable Soc.Security	285.2	356.1	447.8	554.9	752.9	917.5
Taxable Unemployment Comp.	206.5	356.6	359.5	297.5	314.1	338.5
Miscellaneous & all other income	95.9	214.1	322.1	206.5	188.6	148.5
Total Wisconsin Income	56,180.1	62,332.9	69,327.6	77,832.0	89,218.4	100,411.6
COMPONENTS OF INCOME	1989	1991	1993	1995	1997	1999
(As a percent of Total Income)						
Wages & Salaries	78.7%	78.8%	79.5%	79.0%	77.6%	77.3%
Taxable Interest	6.2%	5.9%	3.6%	3.8%	3.4%	3.0%
Dividends	2.4%	2.2%	2.2%	2.2%	2.3%	1.9%
Business Inc./Loss	3.1%	3.2%	3.3%	3.1%	2.9%	2.8%
Farm Income/Loss	0.6%	0.1%	-0.1%	-0.1%	-0.1%	0.1%
Rents, Partnership Income	2.9%	3.1%	4.0%	4.6%	4.3%	4.6%
Taxable Capital Gains	1.6%	1.3%	1.8%	1.7%	2.9%	3.1%
Retirement Income						
Taxable IRA distributions	0.0%	0.6%	0.7%	0.9%	1.2%	1.7%
Taxable pensions	3.4%	3.3%	3.4%	3.6%	4.1%	4.2%
Taxable Soc.Security	0.5%	0.6%	0.6%	0.7%	0.8%	0.9%
Taxable Unemployment Comp.	0.4%	0.6%	0.5%	0.4%	0.4%	0.3%
Miscellaneous & all other income	0.2%	0.3%	0.5%	0.3%	0.2%	0.1%
Total Wisconsin Income	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Wisconsin Tax Model, various years

While taxable capital gains is generally a small portion of total Wisconsin income, its share varies by income class. As seen in Table 3, taxable gains accounted for 6% of the total gross income for the over \$300,000 income class in 1989, rising to 11% in 1999. For taxfilers with incomes at or below \$30,000, taxable gains has remained at 2% or less of total income over the 10-year period.

TABLE 3:
TAXABLE CAPITAL GAINS INCOME
AS A PERCENT OF TOTAL WISCONSIN INCOME, 1989-99

WAGI (\$)	1989	1991	1993	1995	1997	1999
30,000 and less	1.4%	0.8%	1.6%	1.7%	2.3%	2.0%
>30,000 - 50,000	0.8%	0.7%	0.9%	0.8%	1.3%	1.6%
>50,000 - 100,000	1.4%	1.0%	1.3%	1.1%	1.6%	1.7%
>100,000 - 300,000	3.5%	2.7%	3.4%	2.1%	3.8%	4.2%
>300,000	6.1%	5.6%	5.6%	6.1%	10.8%	11.0%
Total	1.6%	1.3%	1.8%	1.7%	2.9%	3.1%

As seen in Table 4, the \$50,000 -100,000 income group's share of total taxable has remained relatively stable gains over the 1989-99 period, accounting for 20-22% of total taxable gains. The over-\$300,000 income group accounted for 20% of total taxable gains in 1989, but its share has increased over the years, accounting for 36% in 1999. Just the opposite effect has occurred with the \$30,000 or less income group – their share of taxable gains has declined from 28% in 1989 to 12% in 1999.

Over time, the distribution of capital gains has drifted upwards. In large part, this upward drift is the result of rising real income of the average taxpayer.

TABLE 4:
INCOME GROUPS' SHARES OF TOTAL TAXABLE CAPITAL GAINS
TY1989-99

WAGI (\$)	1989	1991	1993	1995	1997	1999
	(\$ Million)					
30,000 and less	256.1	146.2	286.0	309.4	417.3	362.0
>30,000 - 50,000	135.1	129.9	157.1	151.0	251.8	301.5
>50,000 - 100,000	191.7	172.4	280.4	273.8	491.4	624.0
>100,000 - 300,000	157.0	145.9	246.5	195.6	479.0	695.9
>300,000	185.0	198.7	259.6	364.7	910.9	1119.0
Total	924.8	793.1	1229.6	1294.5	2550.5	3102.4
WAGI (\$)	1989	1991	1993	1995	1997	1999
	% Distribution					
30,000 and less	27.7%	18.4%	23.3%	23.9%	16.4%	11.7%
>30,000 - 50,000	14.6%	16.4%	12.8%	11.7%	9.9%	9.7%
>50,000 - 100,000	20.7%	21.7%	22.8%	21.1%	19.3%	20.1%
>100,000 - 300,000	17.0%	18.4%	20.0%	15.1%	18.8%	22.4%
>300,000	20.0%	25.0%	21.1%	28.2%	35.7%	36.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

VI. DISTRIBUTION OF CAPITAL GAINS AND LOSSES BY ASSET TYPE

Table 5A divides the sources of capital gains and losses into three asset categories:

- Capital assets (Schedule D assets) held for investment, e.g., stocks, bonds, shares in mutual funds, real estate (not personal residence), and commodities.
- Business assets (Schedule 4797 assets) used in a trade or business, e.g., livestock, machinery and equipment, real estate.
- "Other assets" such as capital gains distributions from mutual funds, installment sales, and capital gains from partnerships, S-corporations and fiduciaries.

Stock holdings were the single largest source of capital gains and losses in 1999, accounting for 35.3% of total gains and 56.3% of losses. Capital gains distributions were second, accounting for 14.4% of gains. Business assets as a group accounted for 17.5% of gains and 9.3% of losses.

Table 5B compares the composition of capital gains and losses in 1999 with that in 1989.

- Where Schedule D assets in 1989 accounted for about one-third of total capital gains, they now account for half. The major change has been the increased role of stocks and mutual funds.
- The volume of gains from mutual funds itself is dramatic – 1999 amounts of gains were 11 times that of 1989. Mutual funds in 1999 accounted for nearly 5% of the gains and 9.9% of the losses compared to 1.1% of gains and 6.4% of losses in 1989.
- The role of stocks in capital gains has risen from 24% to 35%. Its share of losses has not changed as dramatically -- 51.3% in 1989 versus 56.3% in 1999.

Capital (Schedule D) Assets

Tables 6A and 6B show the distribution by income class of gains and losses for various Schedule D assets in 1999. Stocks accounted for 70.5% of Schedule D gains. With the exception of the negative income class, stocks were the predominant source of gains across all income classes, accounting for 44 -80% of gains, with the proportion from stocks increasing as WAGI increases.

Two other major sources of capital gains are mutual funds and non-business real estate, each accounting for slightly over 9% of total capital gains. Mutual funds accounted for 12-16% of capital gains at most income levels, except for the high end of the income range (over \$200,000) where they accounted for about 5.5% of capital gains.

On the capital loss side, stocks and mutual funds together accounted for nearly 86% of total losses – 73% for stocks and 13% for mutual funds.

Business (Schedule 4797) Assets

Distribution by income class of gains and losses from business assets are summarized in Tables 7A and 7B. Farm assets (livestock, farmland, farm buildings and equipment) accounted for 26% of business capital gains and 21% of losses, with livestock responsible for more than half.

TABLE 5A: COMPOSITION OF CAPITAL GAINS AND LOSSES, 1999

Asset	All Holding Periods				Short-Term*				Long-Term*			
	Gain		Loss		Gain		Loss		Gain		Loss	
	\$ mill.	%	\$ mill.	%	\$ mill.	%	\$ mill.	%	\$ mill.	%	\$ mill.	%
Capital Assets												
Stocks	2,875.33	35.3%	593.09	56.3%	461.69	70.2%	257.29	63.9%	2,413.64	32.3%	335.80	51.6%
Bonds and Notes	75.06	0.9%	23.82	2.3%	3.33	0.5%	10.22	2.5%	71.74	1.0%	13.60	2.1%
Mutual Funds	375.01	4.6%	104.18	9.9%	39.59	6.0%	37.48	9.3%	335.43	4.5%	66.71	10.3%
Non-Business Real Estate	377.52	4.6%	18.74	1.8%	13.24	2.0%	2.92	0.7%	364.28	4.9%	15.82	2.4%
Tangible Personal Property	1.79	0.0%	1.04	0.1%	0.79	0.1%	0.03	0.0%	1.00	0.0%	1.01	0.2%
Commodities	7.29	0.1%	0.53	0.1%	0.88	0.1%	0.26	0.1%	6.41	0.1%	0.27	0.0%
Qualified Small Business Stock	0.07	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.07	0.0%	0.00	0.0%
Partnership Interest	61.28	0.8%	39.85	3.8%	4.31	0.7%	5.56	1.4%	56.96	0.8%	34.29	5.3%
Unknown	304.36	3.7%	32.26	3.1%	14.57	2.2%	21.56	5.4%	289.79	3.9%	10.70	1.6%
Sub-Total	4,077.70	50.1%	813.52	77.3%	538.39	81.8%	335.32	83.3%	3,539.31	47.3%	478.20	73.5%
Business Assets												
Livestock	179.86	2.2%	13.61	1.3%	11.27	1.7%	9.17	2.3%	168.60	2.3%	4.44	0.7%
Farmland	112.58	1.4%	2.29	0.2%	0.05	0.0%	0.49	0.1%	112.54	1.5%	1.80	0.3%
Depreciable Farm Real Estate	18.32	0.2%	2.90	0.3%	0.54	0.1%	0.50	0.1%	17.78	0.2%	2.40	0.4%
Farm Equipment	59.90	0.7%	1.94	0.2%	2.56	0.4%	0.13	0.0%	57.34	0.8%	1.81	0.3%
Non-Farm Business Land	61.02	0.7%	2.11	0.2%	0.03	0.0%	0.12	0.0%	60.99	0.8%	1.99	0.3%
Depreciable Non-Farm Real Estate	402.87	5.0%	10.64	1.0%	4.78	0.7%	0.15	0.0%	398.09	5.3%	10.49	1.6%
Depreciable Personal Property	92.11	1.1%	9.54	0.9%	2.81	0.4%	4.27	1.1%	89.31	1.2%	5.27	0.8%
Timber, Gravel, Standing Crops, etc.	16.68	0.2%	0.36	0.0%	0.45	0.1%	0.05	0.0%	16.23	0.2%	0.31	0.0%
Partnerships, Sub-S, passthrough, etc.	456.82	5.6%	48.46	4.6%	6.04	0.9%	7.69	1.9%	450.79	6.0%	40.77	6.3%
Unknown Business Asset	24.74	0.3%	6.56	0.6%	3.00	0.5%	2.12	0.5%	21.74	0.3%	4.44	0.7%
Sub-Total	1,424.92	17.5%	98.40	9.3%	31.52	4.8%	24.68	6.1%	1,393.40	18.6%	73.73	11.3%
Other Assets												
Capital Gains Distribution	1,169.19	14.4%	-	0.0%	-	0.0%	-	0.0%	1,169.19	15.6%	0.00	0.0%
Partnerships, S-Corps., Fiduciaries	786.68	9.7%	119.57	11.4%	78.44	11.9%	32.68	8.1%	708.24	9.5%	86.89	13.4%
Installment Sales, Miscell.	679.77	8.4%	21.42	2.0%	9.53	1.4%	9.73	2.4%	670.24	9.0%	11.69	1.8%
Sub-Total	2,635.63	32.4%	140.99	13.4%	87.97	13.4%	42.42	10.5%	2,547.66	34.1%	98.57	15.2%
TOTAL	8,138.25	100.0%	1,052.91	100.0%	657.88	100.0%	402.41	100.0%	7,480.37	100.0%	650.50	100.0%

Source: 1999 Wisconsin Tax Model

* Short-term = assets held for one year or less, except for certain livestock. For cattle and horses, holding periods of 2 years or less are considered short-term.

TABLE 5B: COMPOSITION OF CAPITAL GAINS AND LOSSES, 1989 vs 1999
(All Holding Periods)

Asset	Capital Gains				Capital Losses			
	1989		1999		1989		1999	
	\$ mill.	%	\$ mill.	%	\$ mill.	%	\$ mill.	%
Capital Assets								
Stocks	715.6	23.8%	2,875.33	35.3%	276.7	51.3%	593.09	56.3%
Bonds and Notes	17.5	0.6%	75.06	0.9%	20.1	3.7%	23.82	2.3%
Mutual Funds	33.1	1.1%	375.01	4.6%	34.3	6.4%	104.18	9.9%
Non-Business Real Estate	159.8	5.3%	377.52	4.6%	33.6	6.2%	18.74	1.8%
Tangible Personal Property	24.6	0.8%	1.79	0.0%	0.7	0.1%	1.04	0.1%
Commodities	0.1	0.0%	7.29	0.1%	3.3	0.6%	0.53	0.1%
Partnership Interest, Other	25.4	0.8%	61.34	0.8%	57.1	10.6%	39.85	3.8%
Unknown	7.0	0.2%	304.36	3.7%	1.5	0.3%	32.26	3.1%
Sub-Total	983.1	32.7%	4,077.70	50.1%	427.3	79.3%	813.52	77.3%
Business Assets								
Livestock	286.3	9.5%	179.86	2.2%	15.2	2.8%	13.61	1.3%
Farmland	24.9	0.8%	112.58	1.4%	2.1	0.4%	2.29	0.2%
Depreciable Farm Real Estate	13.6	0.5%	18.32	0.2%	2.8	0.5%	2.90	0.3%
Farm Equipment	59.5	2.0%	59.90	0.7%	4.6	0.9%	1.94	0.2%
Non-Farm Business Land	8.6	0.3%	61.02	0.7%	0.1	0.0%	2.11	0.2%
Depreciable Non-Farm Real Estate	194.4	6.5%	402.87	5.0%	24.3	4.5%	10.64	1.0%
Depreciable Personal Property	57.8	1.9%	92.11	1.1%	14.2	2.6%	9.54	0.9%
Intangible Personal Property	0.1	0.0%	na		0.1	0.0%	na	
Timber, Gravel, Standing Crops, etc.	31.9	1.1%	16.68	0.2%	-	0.0%	0.36	0.0%
Partnerships, Sub-S, passthrough, etc.	161.5	5.4%	456.82	5.6%	24.9	4.6%	48.46	4.6%
Unknown Business Asset	na	0.0%	24.74	0.3%	na	0.0%	6.56	0.6%
Sub-Total	838.6	27.9%	1,424.92	17.5%	88.3	16.4%	98.40	9.3%
Other Assets								
Capital Gains Distribution	677.6	22.6%	1,169.19	14.4%	0	0.0%	0.00	0.0%
Partnerships, S-Corps., Fiduciaries	164.9	5.5%	786.68	9.7%	23.3	4.3%	119.57	11.4%
Installment Sales, Miscell.	299.5	10.0%	679.77	8.4%	0	0.0%	21.42	2.0%
Personal residence	40.2	1.3%	na		0	0.0%	na	
Sub-Total	1182.2	39.4%	2,635.63	32.4%	23.3	4.3%	140.99	13.4%
TOTAL	3,003.9	100.0%	8,138.3	100.0%	538.9	100.0%	1,052.9	100.0%

TABLE 6A:
CAPITAL GAINS (LONG-TERM AND SHORT-TERM), BY CAPITAL ASSET TYPE AND INCOME CLASS, 1999
(\$ Million)

WAGI Class	Stocks	Bonds & Notes	Mutual Funds	NonBus. Real Est.	Tangible Pers.Prop.	Commods.	Qualified Small Bus.Stock	Ptnership Int. Other	Unknown	Total WD Assets
0 and less	9.80	0.00	1.58	11.18	0.00	0.00	0.00	4.34	15.96	42.87
> 0 - 5,000	19.23	0.50	5.78	9.17	0.00	0.25	0.00	6.15	0.14	41.23
> 5,000 - 10,000	44.99	1.17	9.60	8.40	0.00	0.10	0.00	0.02	2.27	66.54
>10,000 - 15,000	41.06	12.97	12.16	20.61	0.00	0.00	0.00	0.00	0.21	87.00
>15,000 - 20,000	37.85	0.69	5.72	8.36	0.00	0.28	0.00	1.13	3.73	57.75
>20,000 - 25,000	43.13	0.32	8.35	8.72	0.00	0.03	0.00	2.10	1.18	63.82
>25,000 - 30,000	63.59	0.01	16.05	13.91	0.00	0.49	0.07	0.24	4.45	98.82
>30,000 - 40,000	122.91	0.92	20.93	18.90	0.00	1.53	0.00	0.17	1.78	167.13
>40,000 - 50,000	98.81	6.85	28.69	61.91	0.44	1.78	0.00	2.63	22.02	223.13
>50,000 - 75,000	252.55	7.96	51.65	74.61	1.12	1.27	0.00	4.76	14.83	408.74
>75,000 -100,000	218.02	0.57	41.22	49.47	0.21	0.56	0.00	1.45	2.53	314.02
>100,000 - 200,000	496.05	2.74	71.90	40.04	0.01	0.69	0.00	2.15	7.24	620.83
>200,000 - 300,000	206.99	4.35	16.24	5.67	0.00	0.26	0.00	2.30	61.83	297.62
>300,000	1,220.36	36.02	85.13	46.57	0.00	0.07	0.00	33.84	166.20	1,588.20
TOTAL	2,875.33	75.06	375.01	377.52	1.79	7.29	0.07	61.28	304.36	4,077.70
(Percentage Distribution by Asset Type)										
WAGI Class	Stocks	Bonds & Notes	Mutual Funds	NonBus. Real Est.	Tangible Pers.Prop.	Commods.	Qualified Small Bus.Stock	Ptnership Int. Other	Unknown	Total WD Assets
0 and less	22.9%	0.0%	3.7%	26.1%	0.0%	0.0%	0.0%	10.1%	37.2%	100.0%
> 0 - 5,000	46.6%	1.2%	14.0%	22.2%	0.0%	0.6%	0.0%	14.9%	0.4%	100.0%
> 5,000 - 10,000	67.6%	1.8%	14.4%	12.6%	0.0%	0.1%	0.0%	0.0%	3.4%	100.0%
>10,000 - 15,000	47.2%	14.9%	14.0%	23.7%	0.0%	0.0%	0.0%	0.0%	0.2%	100.0%
>15,000 - 20,000	65.5%	1.2%	9.9%	14.5%	0.0%	0.5%	0.0%	2.0%	6.5%	100.0%
>20,000 - 25,000	67.6%	0.5%	13.1%	13.7%	0.0%	0.1%	0.0%	3.3%	1.9%	100.0%
>25,000 - 30,000	64.4%	0.0%	16.2%	14.1%	0.0%	0.5%	0.1%	0.2%	4.5%	100.0%
>30,000 - 40,000	73.5%	0.5%	12.5%	11.3%	0.0%	0.9%	0.0%	0.1%	1.1%	100.0%
>40,000 - 50,000	44.3%	3.1%	12.9%	27.7%	0.2%	0.8%	0.0%	1.2%	9.9%	100.0%
>50,000 - 75,000	61.8%	1.9%	12.6%	18.3%	0.3%	0.3%	0.0%	1.2%	3.6%	100.0%
>75,000 -100,000	69.4%	0.2%	13.1%	15.8%	0.1%	0.2%	0.0%	0.5%	0.8%	100.0%
>100,000 - 200,000	79.9%	0.4%	11.6%	6.4%	0.0%	0.1%	0.0%	0.3%	1.2%	100.0%
>200,000 - 300,000	69.5%	1.5%	5.5%	1.9%	0.0%	0.1%	0.0%	0.8%	20.8%	100.0%
>300,000	76.8%	2.3%	5.4%	2.9%	0.0%	0.0%	0.0%	2.1%	10.5%	100.0%
TOTAL	70.5%	1.8%	9.2%	9.3%	0.0%	0.2%	0.0%	1.5%	7.5%	100.0%

TABLE 6B:
CAPITAL LOSSES (LONG-TERM AND SHORT-TERM), BY CAPITAL ASSET TYPE AND INCOME CLASS, 1999
(\$ Million)

WAGI Class	Stocks	Bonds & Notes	Mutual Funds	NonBus. Real Est.	Tangible Pers.Prop.	Commods.	Qualified Small Bus.Stock	Ptnership Int. Other	Unknown	Total WD Assets
0 and less	(6.68)	(0.66)	(0.55)	(9.43)	(0.00)	(0.00)	0.00	(0.03)	(3.01)	(20.35)
> 0 - 5,000	(8.74)	(0.32)	(1.69)	0.00	0.00	(0.00)	0.00	(5.09)	(0.03)	(15.87)
> 5,000 - 10,000	(7.04)	(0.39)	(5.52)	(0.67)	(0.64)	(0.19)	0.00	0.00	(0.09)	(14.54)
>10,000 - 15,000	(26.29)	(0.69)	(4.05)	(0.01)	0.00	(0.08)	0.00	(0.67)	(0.71)	(32.49)
>15,000 - 20,000	(15.48)	(0.59)	(1.77)	0.00	0.00	0.00	0.00	(1.11)	(0.63)	(19.59)
>20,000 - 25,000	(8.25)	(0.84)	(4.36)	0.00	(0.03)	(0.06)	0.00	(0.12)	(0.48)	(14.13)
>25,000 - 30,000	(22.18)	(0.08)	(7.43)	(1.11)	0.00	0.00	0.00	(1.63)	(0.01)	(32.44)
>30,000 - 40,000	(12.71)	(0.73)	(6.37)	(2.99)	0.00	(0.00)	0.00	(0.15)	(0.17)	(23.13)
>40,000 - 50,000	(32.90)	(0.36)	(10.52)	(0.01)	0.00	(0.03)	0.00	(12.63)	(0.30)	(56.76)
>50,000 - 75,000	(85.47)	(1.96)	(17.59)	(1.99)	(0.04)	(0.06)	0.00	(0.75)	(2.74)	(110.60)
>75,000 -100,000	(64.50)	(0.37)	(9.22)	(0.73)	0.00	(0.11)	0.00	(1.07)	(4.18)	(80.20)
>100,000 - 200,000	(106.37)	(10.17)	(14.20)	(0.66)	(0.29)	0.00	0.00	(3.68)	(7.11)	(142.48)
>200,000 - 300,000	(38.39)	(0.98)	(3.85)	(0.44)	0.00	0.00	0.00	(0.28)	(5.50)	(49.44)
>300,000	(158.09)	(5.68)	(17.06)	(0.70)	(0.03)	(0.00)	0.00	(12.65)	(7.29)	(201.50)
TOTAL	(593.09)	(23.82)	(104.18)	(18.74)	(1.04)	(0.53)	0.00	(39.85)	(32.26)	(813.52)
(Percentage Distribution by Asset Type)										
WAGI Class	Stocks	Bonds & Notes	Mutual Funds	NonBus. Real Est.	Tangible Pers.Prop.	Commods.	Qualified Small Bus.Stock	Ptnership Int. Other	Unknown	Total WD Assets
0 and less	32.8%	3.2%	2.7%	46.3%	0.0%	0.0%	0.0%	0.1%	14.8%	100.0%
> 0 - 5,000	55.1%	2.0%	10.6%	0.0%	0.0%	0.0%	0.0%	32.1%	0.2%	100.0%
> 5,000 - 10,000	48.4%	2.7%	38.0%	4.6%	4.4%	1.3%	0.0%	0.0%	0.6%	100.0%
>10,000 - 15,000	80.9%	2.1%	12.5%	0.0%	0.0%	0.2%	0.0%	2.0%	2.2%	100.0%
>15,000 - 20,000	79.0%	3.0%	9.0%	0.0%	0.0%	0.0%	0.0%	5.7%	3.2%	100.0%
>20,000 - 25,000	58.3%	6.0%	30.9%	0.0%	0.2%	0.4%	0.0%	0.8%	3.4%	100.0%
>25,000 - 30,000	68.4%	0.2%	22.9%	3.4%	0.0%	0.0%	0.0%	5.0%	0.0%	100.0%
>30,000 - 40,000	55.0%	3.2%	27.6%	12.9%	0.0%	0.0%	0.0%	0.6%	0.7%	100.0%
>40,000 - 50,000	58.0%	0.6%	18.5%	0.0%	0.0%	0.1%	0.0%	22.3%	0.5%	100.0%
>50,000 - 75,000	77.3%	1.8%	15.9%	1.8%	0.0%	0.1%	0.0%	0.7%	2.5%	100.0%
>75,000 -100,000	80.4%	0.5%	11.5%	0.9%	0.0%	0.1%	0.0%	1.3%	5.2%	100.0%
>100,000 - 200,000	74.7%	7.1%	10.0%	0.5%	0.2%	0.0%	0.0%	2.6%	5.0%	100.0%
>200,000 - 300,000	77.6%	2.0%	7.8%	0.9%	0.0%	0.0%	0.0%	0.6%	11.1%	100.0%
>300,000	78.5%	2.8%	8.5%	0.3%	0.0%	0.0%	0.0%	6.3%	3.6%	100.0%
TOTAL	72.9%	2.9%	12.8%	2.3%	0.1%	0.1%	0.0%	4.9%	4.0%	100.0%

TABLE 7A:
BUSINESS ASSETS: CAPITAL GAINS (LONG-TERM AND SHORT-TERM), BY ASSET TYPE AND INCOME CLASS, 1999
(\$ Million)

WAGI Class	Livestock	Farmland	Deprec. Farm Real Est	Farm Equipment	NonFarm Land	Deprec. Real Est.	Deprec. Pers. Prop.	Timber, Gravel, Standing Crops	Partnership Pass thro'	Unknown	Total 4797 Assets
0 and less	16.88	1.24	0.47	6.62	47.86	13.88	1.28	0.94	30.09	1.19	120.45
> 0 - 5,000	4.21	0.32	-	0.76	-	0.47	1.04	0.72	0.66	-	8.19
> 5,000 - 10,000	6.22	19.61	-	0.90	-	5.31	0.38	0.54	10.62	0.08	43.66
>10,000 - 15,000	8.88	0.23	-	1.20	0.03	3.49	29.03	0.27	10.45	0.08	53.67
>15,000 - 20,000	10.54	2.23	-	1.56	-	11.40	1.78	0.09	0.81	0.17	28.58
>20,000 - 25,000	11.59	1.11	-	1.23	-	0.90	1.55	1.13	26.47	2.55	46.53
>25,000 - 30,000	12.50	3.87	0.49	5.28	-	15.10	2.39	1.30	1.04	0.01	41.97
>30,000 - 40,000	17.33	1.54	0.53	3.37	-	16.37	4.43	1.78	3.66	0.27	49.27
>40,000 - 50,000	27.99	1.52	8.22	4.22	-	3.28	3.39	0.68	3.11	0.07	52.48
>50,000 - 75,000	23.28	7.92	5.90	9.68	10.09	84.27	26.46	4.31	15.28	0.62	187.81
>75,000 -100,000	13.45	19.13	-	6.01	0.92	45.48	6.79	3.40	30.05	5.63	130.84
>100,000 - 200,000	25.13	30.81	1.03	16.98	0.95	93.03	6.10	0.72	43.52	0.59	218.87
>200,000 - 300,000	1.60	-	-	1.60	0.10	29.36	0.74	0.40	15.66	2.89	52.33
>300,000	0.27	23.05	1.68	0.48	1.07	80.53	6.77	0.41	265.42	10.59	390.26
TOTAL	179.86	112.58	18.32	59.90	61.02	402.87	92.11	16.68	456.82	24.74	1,424.92
(Percentage Distribution by Asset Type)											
WAGI Class	Livestock	Farmland	Deprec. Farm Real Est	Farm Equipment	NonFarm Land	Deprec. Real Est.	Deprec. Pers. Prop.	Timber, Gravel, Standing Crops	Partnership Pass thro'	Unknown	Total 4797 Assets
0 and less	14.0%	1.0%	0.4%	5.5%	39.7%	11.5%	1.1%	0.8%	25.0%	1.0%	100.0%
> 0 - 5,000	51.4%	3.9%	0.0%	9.3%	0.0%	5.7%	12.7%	8.8%	8.1%	0.0%	100.0%
> 5,000 - 10,000	14.2%	44.9%	0.0%	2.1%	0.0%	12.2%	0.9%	1.2%	24.3%	0.2%	100.0%
>10,000 - 15,000	16.6%	0.4%	0.0%	2.2%	0.1%	6.5%	54.1%	0.5%	19.5%	0.2%	100.0%
>15,000 - 20,000	36.9%	7.8%	0.0%	5.5%	0.0%	39.9%	6.2%	0.3%	2.8%	0.6%	100.0%
>20,000 - 25,000	24.9%	2.4%	0.0%	2.6%	0.0%	1.9%	3.3%	2.4%	56.9%	5.5%	100.0%
>25,000 - 30,000	29.8%	9.2%	1.2%	12.6%	0.0%	36.0%	5.7%	3.1%	2.5%	0.0%	100.0%
>30,000 - 40,000	35.2%	3.1%	1.1%	6.8%	0.0%	33.2%	9.0%	3.6%	7.4%	0.5%	100.0%
>40,000 - 50,000	53.3%	2.9%	15.7%	8.0%	0.0%	6.3%	6.5%	1.3%	5.9%	0.1%	100.0%
>50,000 - 75,000	12.4%	4.2%	3.1%	5.2%	5.4%	44.9%	14.1%	2.3%	8.1%	0.3%	100.0%
>75,000 -100,000	10.3%	14.6%	0.0%	4.6%	0.7%	34.8%	5.2%	2.6%	23.0%	4.3%	100.0%
>100,000 - 200,000	11.5%	14.1%	0.5%	7.8%	0.4%	42.5%	2.8%	0.3%	19.9%	0.3%	100.0%
>200,000 - 300,000	3.0%	0.0%	0.0%	3.1%	0.2%	56.1%	1.4%	0.8%	29.9%	5.5%	100.0%
>300,000	0.1%	5.9%	0.4%	0.1%	0.3%	20.6%	1.7%	0.1%	68.0%	2.7%	100.0%
TOTAL	12.6%	7.9%	1.3%	4.2%	4.3%	28.3%	6.5%	1.2%	32.1%	1.7%	100.0%

TABLE 7B:
BUSINESS ASSETS: CAPITAL LOSSES (LONG-TERM AND SHORT-TERM), BY ASSET TYPE AND INCOME CLASS, 1999
(\$ Million)

WAGI Class	Livestock	Farmland	Deprec. Farm Real Est	Farm Equipment	NonFarm Land	Deprec. Real Est.	Deprec. Pers. Prop.	Timber, Gravel, Standing Crops	Partnership Pass thro'	Unknown	Total 4797 Assets
0 and less	(1.48)	(1.11)	(1.87)	(0.02)	(1.15)	(4.31)	(0.28)	(0.05)	(8.92)	(3.64)	(22.82)
> 0 - 5,000	(1.85)	-	-	-	-	-	(0.15)	-	(0.43)	(0.98)	(3.41)
> 5,000 - 10,000	(1.65)	-	-	(0.01)	-	-	(2.48)	-	(1.33)	(0.04)	(5.51)
>10,000 - 15,000	(2.24)	(0.00)	-	(0.02)	-	(0.54)	(0.41)	-	(0.71)	-	(3.93)
>15,000 - 20,000	(1.58)	-	-	(0.17)	-	-	(0.21)	-	(0.25)	(0.10)	(2.31)
>20,000 - 25,000	(0.49)	-	-	-	-	(0.00)	(0.66)	-	(0.09)	-	(1.25)
>25,000 - 30,000	(0.67)	-	(0.07)	(0.01)	-	-	(0.29)	-	(5.13)	-	(6.17)
>30,000 - 40,000	(1.89)	-	(0.50)	(0.06)	-	(1.09)	(0.26)	-	(3.11)	(0.00)	(6.92)
>40,000 - 50,000	(0.39)	-	-	(0.09)	-	-	(0.85)	(0.28)	(0.29)	(0.99)	(2.89)
>50,000 - 75,000	(0.84)	(0.36)	-	(0.57)	(0.12)	(3.33)	(1.88)	-	(2.06)	(0.00)	(9.17)
>75,000 -100,000	(0.23)	(0.42)	-	(0.23)	(0.08)	-	(0.25)	-	(0.29)	(0.00)	(1.49)
>100,000 - 200,000	(0.14)	-	(0.18)	(0.72)	(0.68)	(1.16)	(0.54)	-	(2.70)	(0.49)	(6.61)
>200,000 - 300,000	(0.01)	-	(0.04)	-	-	-	(0.15)	-	(3.51)	-	(3.71)
>300,000	(0.14)	(0.40)	(0.24)	(0.04)	(0.08)	(0.21)	(1.13)	(0.03)	(19.63)	(0.32)	(22.22)
TOTAL	(13.61)	(2.29)	(2.90)	(1.94)	(2.11)	(10.64)	(9.54)	(0.36)	(48.46)	(6.56)	(98.40)

(Percentage Distribution by Asset Type)

WAGI Class	Livestock	Farmland	Deprec. Farm Real Est	Farm Equipment	NonFarm Land	Deprec. Real Est.	Deprec. Pers. Prop.	Timber, Gravel, Standing Crops	Partnership Pass thro'	Unknown	Total 4797 Assets
0 and less	6.5%	4.9%	8.2%	0.1%	5.0%	18.9%	1.2%	0.2%	39.1%	15.9%	100.0%
> 0 - 5,000	54.2%	0.0%	0.0%	0.0%	0.0%	0.0%	4.3%	0.0%	12.7%	28.7%	100.0%
> 5,000 - 10,000	30.0%	0.0%	0.0%	0.2%	0.0%	0.0%	45.0%	0.0%	24.2%	0.6%	100.0%
>10,000 - 15,000	57.0%	0.1%	0.0%	0.5%	0.0%	13.6%	10.5%	0.0%	18.2%	0.0%	100.0%
>15,000 - 20,000	68.4%	0.0%	0.0%	7.4%	0.0%	0.0%	9.2%	0.0%	10.6%	4.3%	100.0%
>20,000 - 25,000	39.4%	0.0%	0.0%	0.0%	0.0%	0.2%	52.9%	0.0%	7.5%	0.0%	100.0%
>25,000 - 30,000	10.9%	0.0%	1.1%	0.1%	0.0%	0.0%	4.7%	0.0%	83.1%	0.0%	100.0%
>30,000 - 40,000	27.4%	0.0%	7.2%	0.9%	0.0%	15.7%	3.8%	0.0%	45.0%	0.0%	100.0%
>40,000 - 50,000	13.4%	0.0%	0.0%	3.2%	0.0%	0.0%	29.5%	9.8%	9.9%	34.2%	100.0%
>50,000 - 75,000	9.2%	3.9%	0.0%	6.3%	1.3%	36.3%	20.5%	0.0%	22.5%	0.0%	100.0%
>75,000 -100,000	15.4%	27.9%	0.0%	15.3%	5.1%	0.0%	16.9%	0.0%	19.5%	0.0%	100.0%
>100,000 - 200,000	2.1%	0.0%	2.7%	10.9%	10.3%	17.5%	8.1%	0.0%	40.9%	7.4%	100.0%
>200,000 - 300,000	0.2%	0.0%	1.2%	0.0%	0.0%	0.0%	4.1%	0.0%	94.6%	0.0%	100.0%
>300,000	0.6%	1.8%	1.1%	0.2%	0.3%	1.0%	5.1%	0.1%	88.3%	1.4%	100.0%
TOTAL	13.8%	2.3%	2.9%	2.0%	2.1%	10.8%	9.7%	0.4%	49.2%	6.7%	100.0%

VII. HOLDING PERIODS

Information about the average holding period for the various asset types are provided in Tables 8 to 11. There are two ways to show the average holding period. One way is to divide the holding period for all transactions by the number of transactions. The other way is to weight the holding period by the value of the gain (or loss). Consider the following example of two separate transactions. In one transaction, the asset has been held for two years and the amount of capital gain on the sale of that asset is \$20,000. In the second transaction, involving a six-year old asset, the capital gain realized on its sale is \$100,000.

If the average holding period is based on the number of transactions, then the average holding period for the 2 transactions is 4 years, i.e., $(2+6)/2$ or total holding period for the 2 transactions divided by the number of transactions.

If the holding period is weighted by the value of the gain, the average holding period is $\frac{(\frac{20,000}{20,000+100,000} \times 2) + (\frac{100,000}{20,000+100,000} \times 6)}{20,000+100,000}$ or 51/3 years.

There is little difference between the two measures if each of the transactions have the same value. Table 8 calculates average holding period using both measures.

TABLE 8: AVERAGE HOLDING PERIOD (IN YEARS), TAX YEAR 1999

Asset Type	Aver. Holding Period (Weighted)*		Aver. Holding Period (Unweighted)	
	Gains	Losses	Gains	Losses
Capital Assets	10.0	5.0	4.5	3.1
Stocks	8.6	4.5	4.0	2.5
Bonds & Notes	12.6	3.2	5.8	4.6
Mutual Funds	5.3	3.6	3.5	3.6
Nonfarm Real Estate	16.6	7.8	13.8	8.5
Personal Property	1.8	15.3	3.2	14.5
Commodities	6.2	0.7	4.3	0.5
Qualif. Small Business Stock	-	-	-	-
Partnership Interest, Other	15.7	12.1	12.3	7.3
Unknown	4.4	3.2	3.0	6.8
Business Assets	13.3	3.8	7.9	3.2
Livestock	4.6	1.6	4.3	1.8
Farmland	17.3	2.9	17.1	1.7
Depreciable Farm Real Est.	18.5	12.1	20.8	19.7
Farm Implements	8.5	8.1	8.9	5.2
Non-Farm Land	9.2	7.8	8.4	9.4
Depreciable Real Estate	14.0	3.8	10.2	3.1
Depreciable Personal Prop.	15.0	2.3	6.5	2.8
Timber, Coal, Standing crop	11.7	1.7	13.1	1.7
Partnerships, Sub-S	8.4	3.1	4.4	3.5
Unknown	15.1	2.7	5.2	2.7

Calculated only for assets with known holding period.

*Weighted by amount of capital gain/loss.

As Table 8 shows, the weighted average holding period is generally larger than the one based on just the number of transactions. This indicates that there are some large amounts of gain/loss per transaction.

For tax year 1999, the weighted average holding period for assets on which a gain is realized ranges from a low of about 2 years for personal property (collectibles) to a high of 18.5 years for farm buildings. In general, business assets tend to be held for a slightly longer time period than capital assets (13.3 years versus 10 years).

The distribution of the amount of gains and losses by holding period for the various asset types is shown in Table 9. Tables 10 and 11 show the same information in percentage terms.

Table 10 shows the percentage distribution of gains and losses by holding period for each asset type. For example, in the case of capital assets, real estate and bonds have the smallest proportions of gains that are short-term (i.e., less than one year) – 3.5% and 4.4% of their respective gains are short-term. This contrasts with the 44% for tangible personal property and 16% for stocks. A larger proportion of the capital gains realized on business assets is long-term. A different pattern emerges for capital losses. For many assets, a larger proportion of capital losses tend to be short-term.

Assets for which there are losses tend to be held for a shorter time period than those with gains, probably because taxpayers want to minimize their losses and maximize their gains. Thus, they will not want to hold on to their losing assets longer than they have to, but will be willing to hold on to their winning investments longer in the hope of realizing larger gains in the future.

Table 11 shows the percentage distribution of gains/losses by asset type for each holding period. Among capital assets held for one year or less, 86% of capital gains and 77% of capital losses were derived from stocks. In contrast, for capital assets held over 20 years, stocks and real estate accounted for 51% and 39%, respectively, of capital gains while stocks were responsible for 69% of capital losses.

Tables 12 and 13 show average holding periods for capital and business assets by income class. The data for capital assets (Table 12) show that, in general, these assets tend to be held slightly longer by middle income taxfilers than by higher income taxfilers (except for the over \$300,000 income class), although the pattern differs by type of asset. For instance, while non-farm real estate is held for over 14 years, and in some cases over 30 years, by those with incomes below \$100,000, the holding period for this asset is closer to or below 13 year for higher income levels. In the case of gains from stocks, the average holding period for most income classes is below 10 years. Holding periods for business assets appear to have no consistent relationship to WAGI.

TABLE 9: CAPITAL GAINS AND LOSSES, BY ASSET TYPE AND HOLDING PERIODS, 1999

Asset type	1 year or less	Amount of Capital Gains (\$ million)						
		More than 1 Year:						Total, > 1yr
		Unknown, but >1 year	>1 to 2 years	>2 to 5 years	>5 to 10 years	>10 to 20 yrs	>20 years	
Capital Assets								
Stocks	461.69	1,346.48	278.78	215.81	167.73	274.99	129.85	2,413.64
Bonds and Notes	3.33	24.92	4.23	9.22	3.18	23.91	6.28	71.74
Mutual Funds	39.59	246.12	20.89	33.56	13.49	21.11	0.26	335.43
NonBusiness Real Estate	13.24	92.18	11.74	39.80	35.41	84.17	100.98	364.28
Tangible Personal Prop.	0.79	0.45	0.34	0.003	0.21	0.00	0.00	1.00
Commodities	0.88	4.95	0.00	1.26	0.00	0.00	0.20	6.41
Qualified Small Business Stock	0.00	0.07	0.00	0.00	0.00	0.00	0.00	0.07
Partnership Interest, Other	4.31	14.56	1.33	3.52	4.35	14.40	18.79	56.96
Unknown	14.57	284.69	0.58	2.09	2.31	0.05	0.06	289.79
Total Personal Assets	538.39	2,014.43	317.89	305.26	226.68	418.64	256.41	3,539.31
Business Assets								
Livestock	2.03	118.79	1.36	44.78	10.56	2.34	0.002	177.83
Farmland	0.05	5.16	0.91	10.26	25.17	26.68	44.36	112.54
Depreciable Farm Real Est.	0.53	0.17	0.00	0.00	0.66	7.02	9.94	17.79
Farm Implement	1.16	23.59	2.68	8.15	11.51	11.42	1.38	58.74
Nonfarm Land	0.03	41.14	0.92	0.14	10.72	7.79	0.28	60.99
Depreciable NonFarm Real Est	4.00	89.38	15.61	36.67	48.39	152.54	56.28	398.87
Depreciable Personal Property	2.23	21.40	4.87	11.05	10.75	4.36	37.45	89.88
Timber, coal, standing crop, etc	0.01	8.63	0.47	1.33	1.65	3.91	0.69	16.68
Partnership Interest	1.14	441.11	0.76	1.05	6.52	6.25	0.00	455.69
Unknown	0.07	22.91	0.00	0.16	0.43	0.97	0.20	24.67
Total Business Assets	11.24	772.28	27.57	113.58	126.37	223.30	150.57	1,413.68

Asset type	1 year or less	Amount of Capital Loss (\$ million)						
		More than 1 Year:						Total, > 1yr
		Unknown, but >1 year	>1 to 2 years	>2 to 5 years	>5 to 10 years	>10 to 20 yrs	>20 years	
Capital Assets								
Stocks	-257.29	-142.84	-83.54	-63.44	-20.78	-9.82	-15.37	-335.80
Bonds and Notes	-10.22	-3.20	-1.15	-5.23	-3.37	-0.65	0.00	-13.60
Mutual Funds	-37.48	-29.29	-13.03	-13.69	-8.31	-2.37	-0.001	-66.71
NonBusiness Real Estate	-2.92	-10.20	-0.06	-2.38	-1.23	-0.01	-1.95	-15.82
Tangible Personal Prop.	-0.03	-0.72	0.00	-0.001	0.00	-0.30	0.00	-1.01
Commodities	-0.26	-0.27	0.00	0.00	0.00	0.00	0.00	-0.27
Qualified Small Business Stock	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Partnership Interest, Other	-5.56	-9.99	-0.96	-2.78	-2.96	-12.60	-5.00	-34.29
Unknown	-21.56	-9.77	-0.68	-0.004	-0.04	-0.20	-0.006	-10.70
Total Personal Assets	-335.32	-206.27	-99.42	-87.53	-36.70	-25.96	-22.32	-478.20
Business Assets								
Livestock	-2.80	-6.84	-2.19	-1.75	-0.03	0.00	0.00	-10.81
Farmland	0.00	-0.49	-0.78	-0.44	-0.58	0.00	0.00	-2.29
Depreciable Farm Real Est.	0.00	-0.73	0.00	-1.06	-0.11	-0.04	-0.95	-2.90
Farm Implement	-0.13	-0.49	-0.24	-0.43	-0.33	0.00	-0.31	-1.81
Nonfarm Land	-0.12	-0.18	0.00	-1.04	-0.08	-0.68	0.00	-1.99
Depreciable NonFarm Real Est	-0.15	-0.30	-3.80	-2.79	-3.59	-0.02	0.00	-10.50
Depreciable Personal Property	-2.69	-2.59	-1.12	-2.63	-0.50	0.00	0.00	-6.85
Timber, coal, standing crop, etc	0.00	-0.08	-0.28	0.00	0.00	0.00	0.00	-0.36
Partnership Interest	-0.26	-44.68	-0.53	-2.98	-0.01	0.00	0.00	-48.20
Unknown	-0.01	-5.44	0.00	-1.11	0.00	-0.0001	0.00	-6.55
Total Business Assets	-6.15	-61.81	-8.95	-14.24	-5.24	-0.75	-1.27	-92.25

TABLE 10: DISTRIBUTION OF CAPITAL GAINS AND LOSSES BY HOLDING PERIOD FOR EACH ASSET TYPE, 1999

Capital Gains (%)									
Asset type	1 year or less	More than 1 Year:							Total, All Holding Periods
		Unknown, but >1 year	>1 to 2 years	>2 to 5 years	>5 to 10 years	>10 to 20 yrs	>20 years	Total, > 1yr	
Capital Assets									
Stocks	16.1%	46.8%	9.7%	7.5%	5.8%	9.6%	4.5%	83.9%	100.0%
Bonds and Notes	4.4%	33.2%	5.6%	12.3%	4.2%	31.9%	8.4%	95.6%	100.0%
Mutual Funds	10.6%	65.6%	5.6%	8.9%	3.6%	5.6%	0.1%	89.4%	100.0%
NonBusiness Real Estate	3.5%	24.4%	3.1%	10.5%	9.4%	22.3%	26.7%	96.5%	100.0%
Tangible Personal Prop.	44.2%	25.0%	19.0%	0.2%	11.6%	0.0%	0.0%	55.8%	100.0%
Commodities	12.1%	67.9%	0.0%	17.3%	0.0%	0.0%	2.8%	87.9%	100.0%
Qualified Small Business Stock	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
Other	7.0%	23.8%	2.2%	5.8%	7.1%	23.5%	30.7%	93.0%	100.0%
Unknown	4.8%	93.5%	0.2%	0.7%	0.8%	0.0%	0.0%	95.2%	100.0%
Total Personal Assets	13.2%	49.4%	7.8%	7.5%	5.6%	10.3%	6.3%	86.8%	100.0%
Business Assets									
Livestock	1.1%	66.0%	0.8%	24.9%	5.9%	1.3%	0.0%	98.9%	100.0%
Farmland	0.0%	4.6%	0.8%	9.1%	22.4%	23.7%	39.4%	100.0%	100.0%
Depreciable Farm Real Est.	2.9%	0.9%	0.0%	0.0%	3.6%	38.3%	54.2%	97.1%	100.0%
Farm Implement	1.9%	39.4%	4.5%	13.6%	19.2%	19.1%	2.3%	98.1%	100.0%
Nonfarm Land	0.0%	67.4%	1.5%	0.2%	17.6%	12.8%	0.5%	100.0%	100.0%
Depreciable NonFarm Real Est	1.0%	22.2%	3.9%	9.1%	12.0%	37.9%	14.0%	99.0%	100.0%
Depreciable Personal Property	2.4%	23.2%	5.3%	12.0%	11.7%	4.7%	40.7%	97.6%	100.0%
Timber, coal, standing crop, etc	0.0%	51.7%	2.8%	8.0%	9.9%	23.5%	4.1%	100.0%	100.0%
Partnership Interest	0.2%	96.6%	0.2%	0.2%	1.4%	1.4%	0.0%	99.8%	100.0%
Unknown	0.3%	92.6%	0.0%	0.7%	1.8%	3.9%	0.8%	99.7%	100.0%
Total Business Assets	0.8%	54.2%	1.9%	8.0%	8.9%	15.7%	10.6%	99.2%	100.0%

Capital Loss (%)									
Asset type	1 year or less	More than 1 Year:							Total, All Holding Periods
		Unknown, but >1 year	>1 to 2 years	>2to 5 years	>5 to 10 years	>10 to 20 yrs	>20 years	Total, > 1yr	
Capital Assets									
Stocks	43.4%	24.1%	14.1%	10.7%	3.5%	1.7%	2.6%	56.6%	100.0%
Bonds and Notes	42.9%	13.4%	4.8%	22.0%	14.2%	2.7%	0.0%	57.1%	100.0%
Mutual Funds	36.0%	28.1%	12.5%	13.1%	8.0%	2.3%	0.0%	64.0%	100.0%
NonBusiness Real Estate	15.6%	54.4%	0.3%	12.7%	6.6%	0.1%	10.4%	84.4%	100.0%
Tangible Personal Prop.	2.5%	68.9%	0.0%	0.1%	0.0%	28.5%	0.0%	97.5%	100.0%
Commodities	49.4%	50.6%	0.0%	0.0%	0.0%	0.0%	0.0%	50.6%	100.0%
Qualified Small Business Stock	-	-	-	-	-	-	-	-	-
Other	14.0%	25.1%	2.4%	7.0%	7.4%	31.6%	12.5%	86.0%	100.0%
Unknown	66.8%	30.3%	2.1%	0.0%	0.1%	0.6%	0.0%	33.2%	100.0%
Total Personal Assets	41.2%	25.4%	1.2%	10.8%	4.5%	3.2%	2.7%	58.8%	100.0%
Business Assets									
Livestock	20.6%	50.2%	16.1%	12.8%	0.3%	0.0%	0.0%	79.4%	100.0%
Farmland	0.0%	21.3%	34.1%	19.1%	25.4%	0.0%	0.0%	100.0%	100.0%
Depreciable Farm Real Est.	0.0%	25.1%	0.0%	36.6%	4.0%	1.3%	33.0%	100.0%	100.0%
Farm Implement	6.8%	25.3%	12.4%	22.1%	17.0%	0.2%	16.2%	93.2%	100.0%
Nonfarm Land	5.8%	8.7%	0.0%	49.4%	3.6%	32.4%	0.0%	94.2%	100.0%
Depreciable NonFarm Real Est	1.4%	2.8%	35.7%	26.3%	33.7%	0.2%	0.0%	98.6%	100.0%
Depreciable Personal Property	28.2%	27.2%	11.7%	27.6%	5.3%	0.0%	0.0%	71.8%	100.0%
Timber, coal, standing crop, etc	0.0%	21.2%	78.8%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
Partnership Interest	0.5%	92.2%	1.1%	6.1%	0.0%	0.0%	0.0%	99.5%	100.0%
Unknown	0.1%	83.0%	0.0%	16.9%	0.0%	0.0%	0.0%	99.9%	100.0%
Total Business Assets	6.3%	62.8%	9.1%	14.5%	5.3%	0.8%	1.3%	93.7%	100.0%

TABLE 11: DISTRIBUTION OF CAPITAL GAINS AND LOSSES BY ASSET TYPE FOR EACH HOLDING PERIOD, 1999

[illegible][illegible]

TABLE 12: AVERAGE HOLDING PERIOD FOR CAPITAL ASSETS, 1999
(In Years)

A. GAINS

WAGI (\$)	Stocks	Bonds & Notes	Mutual Funds	Nonfarm Real Est.	Personal Property	Commod- ities	Qualif.Small Bus.Stock	Ptnership inter.,other	Unknown	Total
0 and less	8.43	2.41	9.44	19.59	0.00	0.00	0.00	2.99	0.17	8.63
> 0 - 5,000	3.42	8.25	3.98	18.62	0.00	0.50	0.00	21.59	0.00	11.54
> 5,000 - 10,000	8.64	0.25	2.82	23.50	0.00	22.42	0.00	0.00	0.00	12.17
>10,000 - 15,000	8.82	13.89	5.25	30.31	0.00	0.00	0.00	0.00	0.00	16.27
>15,000 - 20,000	4.11	1.79	4.65	14.00	0.00	0.00	0.00	0.00	2.58	4.89
>20,000 - 25,000	13.59	4.71	3.32	7.01	0.00	0.92	0.00	16.25	0.00	11.30
>25,000 - 30,000	6.15	1.08	5.11	33.47	0.00	0.00	0.00	0.00	0.00	11.91
>30,000 - 40,000	13.24	3.94	3.86	19.15	0.00	4.25	0.00	10.00	1.92	13.11
>40,000 - 50,000	7.07	4.90	3.83	17.85	0.00	0.00	0.00	8.08	4.73	12.10
>50,000 - 75,000	7.21	10.98	3.69	11.41	0.41	0.00	0.00	20.37	1.29	8.59
>75,000 -100,000	6.01	4.45	4.89	16.49	9.42	0.00	0.00	4.53	0.00	8.82
>100,000 - 200,000	7.60	4.73	3.62	11.21	1.67	3.00	0.00	4.25	5.22	7.63
>200,000 - 300,000	5.71	16.36	2.72	4.24	0.00	29.42	0.00	8.75	4.50	5.97
>300,000	10.90	14.67	9.62	13.62	0.00	3.75	0.00	16.66	5.01	11.49
Total	8.56	12.61	5.27	16.64	1.82	6.24	0.00	15.75	4.45	10.03

B. LOSSES

WAGI (\$)	Stocks	Bonds & Notes	Mutual Funds	Nonfarm Real Est.	Personal Property	Commod- ities	Qualif.Small Bus.Stock	Ptnership inter.,other	Unknown	Total
0 and less	6.70	0.25	1.05	0.00	0.00	0.00	0.00	2.92	11.98	3.77
> 0 - 5,000	2.14	6.27	3.64	0.00	0.00	0.00	0.00	21.00	7.17	11.70
> 5,000 - 10,000	4.73	7.00	7.50	21.33	0.00	0.00	0.00	0.00	14.17	7.23
>10,000 - 15,000	25.82	3.25	1.68	1.08	0.00	0.00	0.00	0.00	0.92	23.07
>15,000 - 20,000	3.71	2.91	0.88	0.00	0.00	0.00	0.00	0.00	1.17	3.38
>20,000 - 25,000	3.22	10.00	4.54	0.00	0.00	0.92	0.00	2.33	0.92	3.74
>25,000 - 30,000	1.14	1.15	6.27	4.92	0.00	0.00	0.00	0.00	0.00	3.54
>30,000 - 40,000	2.06	9.18	4.54	0.93	0.00	0.00	0.00	8.35	55.00	2.53
>40,000 - 50,000	2.55	6.27	6.31	31.75	0.00	0.27	0.00	13.92	7.15	7.65
>50,000 - 75,000	2.97	5.59	4.46	16.42	0.00	0.92	0.00	4.75	0.43	3.61
>75,000 -100,000	2.31	6.78	1.69	10.66	0.00	0.68	0.00	8.83	9.92	2.56
>100,000 - 200,000	2.37	2.22	2.47	5.58	15.33	0.00	0.00	3.18	0.92	2.48
>200,000 - 300,000	3.83	3.71	2.84	1.17	0.00	0.00	0.00	1.60	0.00	3.66
>300,000	1.67	2.65	2.41	5.54	13.74	0.00	0.00	3.20	1.31	1.92
Total	4.55	3.21	3.63	7.76	15.27	0.66	0.00	12.06	3.18	5.00

* Calculated only for assets with known holding periods. The average holding period is weighted by amount of capital gain/loss.

TABLE 13: AVERAGE HOLDING PERIOD FOR BUSINESS ASSETS, 1999

(In Years)

A. GAINS

WAGI (\$)	Livestock	Farmland	Depreciable Farm Real Est.	Farm Implements	Land (NonFarm)	Deprec. Real Est.	Deprec. Pers. Prop.	Timber,coal standing crop,	Ptnerships, Sub-S	Unknown	Total
0 and less	10.25	11.34	34.67	4.66	11.05	10.77	5.07	8.03	8.73	-	9.41
> 0 - 5,000	4.77	38.29	-	8.07	-	10.48	1.74	12.92	1.33	-	7.87
> 5,000 - 10,000	3.92	9.08	-	5.17	-	12.33	2.08	4.17	4.00	4.33	9.17
>10,000 - 15,000	5.70	22.82	-	6.87	0.42	8.88	22.87	22.17	5.33	1.00	20.66
>15,000 - 20,000	4.44	19.70	-	7.34	-	5.16	4.76	4.88	-	2.14	6.54
>20,000 - 25,000	4.33	24.38	-	10.35	-	6.86	4.70	7.58	-	-	8.62
>25,000 - 30,000	4.58	24.52	19.99	5.14	-	6.66	2.71	4.00	-	0.42	8.94
>30,000 - 40,000	3.97	35.07	0.08	6.41	-	13.38	6.37	13.20	-	7.25	10.54
>40,000 - 50,000	4.12	18.92	20.75	8.46	-	11.59	8.60	17.19	2.42	6.00	13.39
>50,000 - 75,000	4.20	22.02	16.12	11.53	8.16	12.04	12.30	14.78	8.05	-	11.79
>75,000 -100,000	6.23	19.46	-	11.16	1.77	12.05	10.64	10.14	11.53	-	12.71
>100,000 - 200,000	3.71	12.46	28.92	10.61	12.70	16.12	5.80	11.00	-	20.00	13.63
>200,000 - 300,000	2.26	-	-	5.04	3.17	15.17	2.23	-	0.75	-	14.06
>300,000	5.57	25.79	10.53	9.72	11.76	18.58	10.43	1.92	5.32	19.00	19.89
Total	4.65	17.33	18.52	8.50	9.18	14.02	15.00	11.72	8.43	15.07	13.30

B. LOSSES

WAGI (\$)	Livestock	Farmland	Depreciable Farm Real Est.	Farm Implements	Land (NonFarm)	Deprec. Real Est.	Deprec. Pers. Prop.	Timber,coal standing crop,	Ptnerships, Sub-S	Unknown	Total
0 and less	1.15	5.22	10.85	5.33	3.58	3.21	2.35	-	2.73	-	4.63
> 0 - 5,000	0.13	-	-	-	-	-	0.65	-	-	-	0.64
> 5,000 - 10,000	0.80	-	-	6.93	-	-	0.77	-	-	-	0.79
>10,000 - 15,000	3.91	1.25	-	10.82	-	2.14	1.17	-	-	-	2.45
>15,000 - 20,000	2.01	-	-	7.49	-	-	2.42	-	-	3.33	3.02
>20,000 - 25,000	1.30	-	-	-	-	2.92	2.41	-	-	-	2.02
>25,000 - 30,000	2.52	-	21.50	1.17	-	-	1.74	-	4.67	-	4.41
>30,000 - 40,000	1.66	-	-	3.74	-	1.75	3.20	-	2.83	3.33	2.11
>40,000 - 50,000	3.23	-	-	1.45	-	-	6.65	1.67	-	2.67	2.61
>50,000 - 75,000	1.65	1.90	-	4.03	0.33	6.13	4.50	-	1.42	0.92	4.56
>75,000 -100,000	0.57	1.17	-	3.09	8.83	-	2.72	-	-	-	2.19
>100,000 - 200,000	-	-	20.31	20.27	15.41	1.15	5.00	-	-	1.87	10.53
>200,000 - 300,000	-	-	-	-	-	-	2.64	-	0.42	-	1.22
>300,000	3.83	2.07	16.16	4.10	-	4.03	3.81	-	1.78	16.00	3.69
Total	1.64	2.92	12.11	8.12	7.78	3.78	2.30	1.67	3.05	2.71	3.81

* Calculated only for assets with known holding periods. The average holding period is weighted by amount of capital gain/loss.

Table 14 compares the average holding periods in 1999 with those of previous tax years. In the area of capital gains:

- Stocks – after the 6-year holding periods in 1993 and 1995, they appear to be moving back up closer to the 10-year averages of 1989 and 1991.
- Mutual funds – the holding period rose from 4 years in 1989 to 9 years in 1997, and has fallen to 5 in 1999.
- Bonds – the average holding period has increased to 12.6 years after several years where it was between 6-7 years.
- Farmland – the holding period has declined from the 1989 high of 24 years to 17 years.
- Personal property – there has been a sharp decline in recent years in the holding period for capital gains, although an increase in the holding period for capital losses.

TABLE 14: AVERAGE HOLDING PERIOD (IN YEARS) (WEIGHTED BY AMOUNT OF GAIN OR LOSS)*

Asset Type	Gains						Losses					
	1989	1991	1993	1995	1997	1999	1989	1991	1993	1995	1997	1999
Capital Assets	10.7	12.1	8.2	8.4	10.0	10.0	3.8	5.1	3.2	4.2	3.9	5.0
Stocks	9.5	11.1	6.5	6.3	9.4	8.6	2.8	5.0	3.0	3.8	3.3	4.5
Bonds & Notes	7.3	4.2	7.4	6.0	7.6	12.6	2.5	3.1	4.5	4.2	5.4	3.2
Mutual Funds	3.9	3.4	7.6	6.2	9.1	5.3	2.9	4.2	3.4	4.0	3.1	3.6
Nonfarm Real Estate	15.2	17.6	16.5	16.1	14.7	16.6	11.9	9.8	4.9	7.9	12.7	7.8
Personal Property	13.4	19.5	6.0	18.2	2.4	1.8	13.2	4.5	11.0	5.9	1.2	15.3
Commodities	1.9	3.0	5.0	4.6	6.9	6.2	0.7	8.8	4.1	4.6	4.2	0.7
Partnership Interest, Other	8.4	14.3	8.0	7.2	6.6	15.7	2.8	4.7	2.9	11.5	8.3	12.1
Unknown	4.4	9.1	9.7	2.5	20.0	4.4	1.9	2.1	3.4	6.6	3.0	3.2
Business Assets	9.4	10.6	11.0	11.5	11.4	13.3	6.3	5.2	4.9	5.6	4.0	3.8
Livestock	4.4	3.9	4.2	4.7	3.9	4.6	1.8	1.4	1.7	1.3	1.6	1.6
Farmland	23.7	21.0	20.8	22.2	20.2	17.3	6.1	23.9	4.1	9.0	7.7	2.9
Depreciable Farm Real Est.	15.1	11.5	5.5	8.9	9.1	18.5	6.2	14.6	5.2	16.6	8.4	12.1
Farm Implements	7.3	9.9	7.3	10.3	7.8	8.5	5.8	4.0	5.0	3.0	2.1	8.1
Non-Farm Land	12.6	22.0	19.0	13.6	15.8	9.2	5.7	9.6	8.3	6.1	7.4	7.8
Depreciable Real Estate	10.6	11.2	12.5	11.4	12.3	14.0	9.0	5.7	6.1	4.6	4.6	3.8
Depreciable Personal Prop.	7.2	7.0	8.3	9.0	7.7	15.0	5.3	1.9	2.5	2.6	6.7	2.3
Timber, Coal, Standing crop	11.4	19.9	12.0	16.2	15.3	11.7	-	2.7	3.4	-	6.5	1.7
Partnerships, Sub-S	7.1	8.5	8.2	5.1	10.0	8.4	6.4	5.2	3.4	7.4	3.2	3.1

*Calculated only for assets with known holding period.

VIII. CAPITAL GAINS EXCLUSION

This section provides information on the distribution net of capital gains and the tax benefit from Wisconsin's capital gains exclusion for various taxfiling groups. "Net capital gain" refers to the excess of net long-term capital gains over net short-term capital losses, and is the amount to which the 60% is applied. The "tax benefit" is the tax difference between 60% exclusion and 0% exclusion.

1. All Taxfilers

As shown in Table 15:

- Out of a total of approximately 2.54 million taxfilers in 1999, approximately 510,800 or 20% had \$6.4 billion worth of net capital gains eligible for the 60% exclusion, an average of \$12,578.

- The proportion of taxfilers with net capital gains increases with income—14.7% of taxfilers with Wisconsin adjusted gross income (WAGI) \$30,000 and below had net capital gains; the proportion increases to 27.8% for the \$50,000 to \$100,000 WAGI class, and 66.5% for the over \$300,000 WAGI class.
- Of the 510,800 taxfilers with net capital gains, 40% had WAGI of \$30,000 or less, and this group accounted for 13.1% of the \$6.4 billion total net capital gains. Taxfilers with incomes over \$100,000 made up 12.6% of the taxfilers with net capital gains, but accounted for 58.1% of total net capital gains. This distribution parallels the one we saw in Table 1 for taxable capital gains.
- The state's 60% exclusion for net capital gains compared to the federal's 0% exclusion saved Wisconsin taxpayers \$257.2 million in 1999. The distribution of the tax saving parallels the distribution of net capital gains – 11.4% of the tax benefit went to the \$30,000 or less income class, and 58.7% went to the over \$100,000 class.

TABLE 15
DISTRIBUTION OF NET CAPITAL GAINS, 1999
All Taxfilers

WAGI CLASS (\$)	ALL TAXFILERS		TAXFILERS WITH NET CAPITAL GAINS*			AMOUNT OF NET CAPITAL GAINS*			TAX BENEFIT OF 60% EXCLUSION	
	Count of Filers	%	% of total filers		% of all filers	Total Amount of Gains		Aver. Gain (\$)	Total Tax Benefit	
			Count	with gains		(\$ million)	%		Amount (\$ m)	%
0 and less	21,085	0.8%	3,763	0.7%	17.8%	101.94	1.6%	27,090	1.55	0.6%
> 0 - 5,000	302,488	11.9%	55,631	10.9%	18.4%	88.50	1.4%	1,591	1.69	0.7%
> 5,000 - 10,000	281,278	11.1%	38,188	7.5%	13.6%	119.77	1.9%	3,136	3.52	1.4%
>10,000 - 15,000	221,739	8.7%	31,286	6.1%	14.1%	129.61	2.0%	4,143	4.36	1.7%
>15,000 - 20,000	210,377	8.3%	22,968	4.5%	10.9%	106.86	1.7%	4,652	5.09	2.0%
>20,000 - 25,000	190,741	7.5%	26,098	5.1%	13.7%	125.02	1.9%	4,790	5.46	2.1%
>25,000 - 30,000	164,332	6.5%	26,594	5.2%	16.2%	168.42	2.6%	6,333	7.61	3.0%
>30,000 - 40,000	268,933	10.6%	47,434	9.3%	17.6%	278.41	4.3%	5,869	12.32	4.8%
>40,000 - 50,000	217,321	8.6%	47,066	9.2%	21.7%	382.42	6.0%	8,125	16.30	6.3%
>50,000 - 75,000	376,841	14.9%	94,923	18.6%	25.2%	694.34	10.8%	7,315	28.22	11.0%
>75,000 - 100,000	151,334	6.0%	51,926	10.2%	34.3%	494.87	7.7%	9,530	20.05	7.8%
>100,000 - 200,000	100,941	4.0%	47,239	9.2%	46.8%	981.85	15.3%	20,785	39.83	15.5%
>200,000 - 300,000	13,984	0.6%	8,245	1.6%	59.0%	378.76	5.9%	45,938	14.87	5.8%
>300,000	14,167	0.6%	9,420	1.8%	66.5%	2,373.70	36.9%	251,985	96.30	37.4%
TOTAL	2,535,561	100.0%	510,781	100.0%	20.1%	6,424.46	100.0%	12,578	257.16	100.0%

* "Net Capital Gain" refers to the excess of net long-term capital gains over net short-term capital losses.

2. Elderly vs. Non-Elderly Taxfilers

The capital gains exclusion is of particular benefit to the elderly (over-65). A larger proportion of elderly taxfilers has capital gains than is the case with non-elderly filers. (Tables 16 and 17):

- About 36% of elderly taxfilers reported having net capital gains compared to 18% for the non-elderly.
- Average net capital gains reported by the elderly are, on average, 55% higher than that for the non-elderly--\$17,286 vs. \$11,153—probably reflecting the fact that the elderly are more likely to derive a larger proportion of their income from non-wage sources than the non-elderly.
- The differential in net capital gains between the two age groups increases with income. At the \$25,000-30,000 income class, the average net gain for the elderly is 21% higher than that for the nonelderly; but at the over \$300,000 income level, the elderly have nearly twice as much net capital gains as the nonelderly.

TABLE 16
DISTRIBUTION OF NET CAPITAL GAINS, 1999
Elderly

WAGI CLASS (\$)	ELDERLY TAXFILERS		ELDERLY TAXFILERS WITH NET CAPITAL GAINS*			AMOUNT OF NET CAPITAL GAINS*			TAX BENEFIT OF 60% EXCLUSION	
	Count of Filers	%	Count	% of total filers with gains	% of all filers	Total Amount of Gains (\$ million)	%	Aver.Gain (\$)	Total Tax Benefit Amount (\$ m)	%
0 and less	4,370	1.3%	911	0.8%	20.8%	26.56	1.3%	29,153	0.50	0.6%
> 0 - 5,000	28,584	8.7%	5,788	4.9%	20.2%	13.08	0.6%	2,259	0.16	0.2%
> 5,000 - 10,000	56,556	17.2%	15,334	12.9%	27.1%	54.73	2.7%	3,569	1.52	1.8%
>10,000 - 15,000	58,796	17.9%	15,837	13.3%	26.9%	74.43	3.6%	4,700	2.41	2.9%
>15,000 - 20,000	39,119	11.9%	10,184	8.6%	26.0%	49.86	2.4%	4,896	2.46	3.0%
>20,000 - 25,000	25,980	7.9%	9,152	7.7%	35.2%	41.01	2.0%	4,481	1.81	2.2%
>25,000 - 30,000	19,637	6.0%	10,280	8.7%	52.4%	72.71	3.5%	7,073	3.36	4.1%
>30,000 - 40,000	28,116	8.6%	12,166	10.3%	43.3%	113.81	5.5%	9,354	5.02	6.1%
>40,000 - 50,000	24,538	7.5%	12,619	10.6%	51.4%	168.86	8.2%	13,382	7.30	8.9%
>50,000 - 75,000	24,615	7.5%	13,460	11.3%	54.7%	229.35	11.2%	17,039	9.33	11.3%
>75,000 -100,000	7,545	2.3%	4,690	4.0%	62.2%	128.16	6.2%	27,327	5.19	6.3%
>100,000 - 200,000	7,064	2.1%	5,421	4.6%	76.7%	277.10	13.5%	51,115	11.26	13.7%
>200,000 - 300,000	1,828	0.6%	1,321	1.1%	72.3%	154.86	7.6%	117,229	5.79	7.0%
>300,000	1,931	0.6%	1,491	1.3%	77.2%	646.56	31.5%	433,641	26.26	31.9%
TOTAL	328,679	100.0%	118,654	100.0%	36.1%	2,051.07	100.0%	17,286	82.37	100.0%

* "Net Capital Gain" refers to the excess of net long-term capital gains over net short-term capital losses.

TABLE 17
DISTRIBUTION OF NET CAPITAL GAINS, 1999
Non-Elderly

WAGI CLASS (\$)	NON-ELDERLY TAXFILERS		NON-ELDERLY TAXFILERS WITH NET CAPITAL GAINS*			AMOUNT OF NET CAPITAL GAINS*			TAX BENEFIT OF 60% EXCLUSION	
	Count of Filers	%	Count	% of total filers with gains	% of all filers	Total Amount of Gains (\$ million)	Aver. Gain %	Aver. Gain (\$)	Total Tax Benefit Amount (\$ m)	%
0 and less	16,715	0.8%	2,852	0.7%	17.1%	75.38	1.7%	26,431	1.05	0.6%
> 0 - 5,000	273,904	12.4%	49,843	12.7%	18.2%	75.43	1.7%	1,513	1.53	0.9%
> 5,000 - 10,000	224,722	10.2%	22,854	5.8%	10.2%	65.05	1.5%	2,846	2.00	1.1%
>10,000 - 15,000	162,943	7.4%	15,449	3.9%	9.5%	55.18	1.3%	3,572	1.95	1.1%
>15,000 - 20,000	171,258	7.8%	12,784	3.3%	7.5%	56.99	1.3%	4,458	2.63	1.5%
>20,000 - 25,000	164,761	7.5%	16,946	4.3%	10.3%	84.01	1.9%	4,957	3.64	2.1%
>25,000 - 30,000	144,695	6.6%	16,314	4.2%	11.3%	95.70	2.2%	5,866	4.24	2.4%
>30,000 - 40,000	240,817	10.9%	35,268	9.0%	14.6%	164.61	3.8%	4,667	7.29	4.2%
>40,000 - 50,000	192,783	8.7%	34,447	8.8%	17.9%	213.56	4.9%	6,200	9.01	5.2%
>50,000 - 75,000	352,226	16.0%	81,463	20.8%	23.1%	464.99	10.6%	5,708	18.89	10.8%
>75,000 -100,000	143,789	6.5%	47,236	12.0%	32.9%	366.70	8.4%	7,763	14.85	8.5%
>100,000 - 200,000	93,877	4.3%	41,818	10.7%	44.5%	704.75	16.1%	16,853	28.58	16.3%
>200,000 - 300,000	12,156	0.6%	6,924	1.8%	57.0%	223.90	5.1%	32,337	9.08	5.2%
>300,000	12,236	0.6%	7,930	2.0%	64.8%	1,727.14	39.5%	217,798	70.04	40.1%
TOTAL	2,206,882	100.0%	392,128	100.0%	17.8%	4,373.39	100.0%	11,153	174.80	100.0%

* "Net Capital Gain" refers to the excess of net long-term capital gains over net short-term capital losses.

3. Farmers

Farmers are another group of taxfilers who benefit from the 60% exclusion. There are two ways of counting the number of farmers. One is to count all taxfilers who file a Schedule F (farm return). A problem with this approach is that a Schedule F filer may have little or no income from farming, and including all Schedule F filers may overstate the capital gains benefit to farmers. The second approach is to use the more restrictive definition of farmers to qualify for the Farmland Preservation Credit— a Schedule F filer with a minimum of \$6,000 in gross receipts from farming in a given year.

It should be noted that the net capital gains reported by farmers also include capital gains from non-farm investments. Nonetheless, the data suggest that a relatively large proportion of farmers have capital gains income:

- As seen in Table 18, out of the 39,903 Schedule F filers with at least \$6,000 in gross farm receipts, 23,245 or 58.3% reported having net capital gains in 1999, compared to the 20% among the general taxfiling population.
- Even though farmers represented only 1.6% of the overall taxfiling population in 1999, farmers with capital gains represented 4.6% of all capital gains taxfilers, and their \$323 million of capital gains accounted for 5% of the \$6.42 billion total net capital gains.
- The distribution of net capital gains by income class for farmers contrasts sharply with that for the overall capital gains reporting population. A comparison of Tables 15 and 18 reveals that:

- while 40% of all capital gains filers had WAGI below \$30,000, the corresponding ratio for farmers reporting net capital gains was 58.7%;
 - 12.7% of the general population reporting capital gains had WAGI exceeding \$100,000 compared to 4.9% for farmers;
 - 29.7% of the total net capital gains reported by farmers were from farmers with WAGI below \$30,000, and 13.1% from farmers with WAGI over \$100,000; this contrasts with 13.1% and 58.1% respectively for the general capital gains population.
- The overall average net capital gain reported by farmers is 1.1 times higher than that for all taxfilers--\$13,890 versus \$12,578. However, by income class, the average net gain reported by farmers is different than that reported by the general taxfiling population:
 - with the exception of income classes below \$0 and over \$200,000, average net capital gains reported by farmers were 1.4 to 3.5 times those reported by the general capital gains population;
 - at income classes below \$0 and over \$200,000, farmers' average net gain was below that for the general population.

TABLE 18
DISTRIBUTION OF NET CAPITAL GAINS, 1999
Schedule F Filers with Over \$6,000 Gross Farm Receipts

WAGI CLASS (\$)	SCH. F (\$6000) TAXFILERS		SCH. F (\$6000) TAXFILERS WITH NET CAPITAL GAINS*			AMOUNT OF NET CAPITAL GAINS*			TAX BENEFIT OF 60% EXCLUSION	
	Count of Filers	%	Count	% of total filers with gains	% of all filers	Total Amount of Gains (\$ million)	%	Aver.Gain (\$)	Total Tax Benefit Amount (\$ m)	%
0 and less	2,889	7.2%	1,405	6.0%	48.6%	19.49	6.0%	13,874	0.16	1.3%
> 0 - 5,000	2,888	7.2%	1,305	5.6%	45.2%	5.42	1.7%	4,152	0.02	0.2%
> 5,000 - 10,000	3,911	9.8%	1,364	5.9%	34.9%	9.65	3.0%	7,076	0.11	0.9%
>10,000 - 15,000	2,874	7.2%	1,509	6.5%	52.5%	9.29	2.9%	6,153	0.28	2.2%
>15,000 - 20,000	3,560	8.9%	2,016	8.7%	56.6%	19.96	6.2%	9,900	1.08	8.5%
>20,000 - 25,000	3,130	7.8%	2,038	8.8%	65.1%	13.69	4.2%	6,720	0.64	5.1%
>25,000 - 30,000	2,720	6.8%	1,978	8.5%	72.7%	18.37	5.7%	9,285	0.87	6.9%
>30,000 - 40,000	4,776	12.0%	2,702	11.6%	56.6%	25.40	7.9%	9,401	1.18	9.3%
>40,000 - 50,000	3,970	9.9%	2,964	12.8%	74.7%	38.37	11.9%	12,946	1.72	13.5%
>50,000 - 75,000	5,855	14.7%	3,621	15.6%	61.8%	42.01	13.0%	11,601	1.72	13.5%
>75,000 -100,000	1,779	4.5%	1,207	5.2%	67.8%	40.53	12.6%	33,575	1.65	12.9%
>100,000 - 200,000	1,145	2.9%	886	3.8%	77.4%	46.50	14.4%	52,479	1.89	14.9%
>200,000 - 300,000	221	0.6%	117	0.5%	52.9%	2.67	0.8%	22,809	0.11	0.9%
>300,000	185	0.5%	133	0.6%	71.9%	31.55	9.8%	237,190	1.28	10.1%
TOTAL	39,903	100.0%	23,245	100.0%	58.3%	322.88	100.0%	13,890	12.72	100.0%

* "Net Capital Gain" refers to the excess of net long-term capital gains over net short-term capital losses.

4. Schedule C Filers

In the case of Schedule C filers (sole proprietors) (Table 19):

- 27% of them reported having a total of approximately \$1.49 billion in net capital gains.
- Schedule C filers with capital gains accounted for 14.9% of the capital gains population and 23.2% of the total amount net capital gains reported.
- Their average net capital gain of \$19,580 is 55.7% higher than the \$7,012 reported for the overall population.
- It should be noted that there is some overlapping between Table 18 and Table 19--a taxpayer who has capital gains and files both a Schedule F and a Schedule C will show up in both tables. Also, as with the case of Schedule F filers, the capital gains shown for Schedule C filers include all types of assets, and not just business assets.

TABLE 19
DISTRIBUTION OF NET CAPITAL GAINS, 1999
Schedule C Filers

WAGI CLASS (\$)	SCHEDULE C TAXFILERS		SCHEDULE C FILERS WITH NET CAPITAL GAINS*			AMOUNT OF NET CAPITAL GAINS*			TAX BENEFIT OF 60% EXCLUSION	
	Count of Filers	%	Count	% of total filers with gains	% of all filers	Total Amount of Gains (\$ million)	%	Aver.Gain (\$)	Total Tax Benefit Amount (\$ m)	%
0 and less	7,006	2.5%	1,446	1.9%	20.6%	26.61	1.8%	18,403	0.55	0.9%
> 0 - 5,000	13,756	4.9%	2,156	2.8%	15.7%	5.44	0.4%	2,524	0.08	0.1%
> 5,000 - 10,000	19,018	6.7%	1,988	2.6%	10.5%	11.71	0.8%	5,888	0.28	0.5%
>10,000 - 15,000	18,452	6.5%	2,976	3.9%	16.1%	4.16	0.3%	1,399	0.09	0.1%
>15,000 - 20,000	18,913	6.7%	3,603	4.7%	19.1%	18.58	1.2%	5,158	0.90	1.5%
>20,000 - 25,000	17,402	6.2%	4,115	5.4%	23.6%	8.64	0.6%	2,099	0.38	0.6%
>25,000 - 30,000	17,098	6.1%	4,132	5.4%	24.2%	25.10	1.7%	6,074	1.13	1.9%
>30,000 - 40,000	33,417	11.8%	8,367	11.0%	25.0%	53.71	3.6%	6,420	2.42	4.0%
>40,000 - 50,000	31,950	11.3%	9,116	12.0%	28.5%	65.40	4.4%	7,174	2.79	4.6%
>50,000 - 75,000	54,817	19.4%	16,517	21.7%	30.1%	163.92	11.0%	9,925	6.62	11.0%
>75,000 -100,000	24,641	8.7%	8,541	11.2%	34.7%	112.58	7.6%	13,181	4.57	7.6%
>100,000 - 200,000	18,874	6.7%	9,072	11.9%	48.1%	225.18	15.1%	24,822	9.13	15.2%
>200,000 - 300,000	3,683	1.3%	1,979	2.6%	53.7%	56.31	3.8%	28,454	2.29	3.8%
>300,000	3,181	1.1%	2,057	2.7%	64.7%	712.04	47.8%	346,154	28.85	48.0%
TOTAL	282,208	100.0%	76,065	100.0%	27.0%	1,489.38	100.0%	19,580	60.07	100.0%

* "Net Capital Gain" refers to the excess of net long-term capital gains over net short-term capital losses.

5. Summary

Table 20 summarizes the tax benefits of the 60% capital gains exclusion for the various categories of taxfilers.

TABLE 20: TAX BENEFITS OF 60% NET CAPITAL GAINS EXCLUSION, TAX YEAR 1999

	No. of Taxfilers	Filers w/ Net Capital Gains		Amount of Net Capital Gains		Amt.of 60% exclusion	Tax benefit of exclusion
		Count	as % of filers	Total	Aver.Amt.		
				\$m	\$	\$m	\$m
All filers	2,535,561	510,781	20.1%	6,424.5	12,578	3,854.7	257.2
Elderly	328,679	118,654	36.1%	2,051.1	17,286	1,230.7	82.4
Non-Elderly	2,206,882	392,128	17.8%	4,373.4	11,153	2,624.0	174.8
Sched. F(\$6000) filers **	39,903	23,245	58.3%	322.9	13,890	193.7	12.7
Sched. C filers	282,208	76,065	27.0%	1,489.4	19,580	893.6	60.1

* "Net Capital Gains" refers to the excess of net long-term capital gains over net short-term capital losses.

** Schedule F filers with at least \$6,000 of gross farm receipts.

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